

Charging of excess interest rates by banks

2956. SHRI B.S. GNANADESIKAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Nationalized Banks are charging excess interest and compounding penal interest, contrary to the apex court judgment in Ravindra's case and RBI circulars;

(b) if so, the mechanism available for the borrowers to get speedy justice in the case of such an irregularities other than in the Debt Recovery Tribunals and Courts; and

(c) if not, whether Government would consider setting up of arbitration to decide such irregularities?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The interest rates on loans given by banks have been deregulated *vide* Reserve Bank of India (RBI) circular dated 18th October, 1994. However, RBI has stipulated that interest rates on loans by Commercial Banks up to Rs. 2 lakhs should not exceed their Benchmark Prime Lending Rate.

(b) and (c) With effect from 1st January, 2006 RBI has put in place a revised Banking Ombudsman scheme for redressal of grievances of banking customers. An independent Banking Codes and Standard Board of India has also been set up by the RBI in February, 2006 as an independent watchdog to ensure that banks deliver services in accordance with the code and standards to which they have agreed. Further, in case of violation of its guidelines/rules/regulations, RBI initiates appropriate regulatory action against the erring bank.

Agreement between Government and Sterlite

2957. SHRI G. SANJEEVA REDDY: Will the Minister of FINANCE be pleased to state:

(a) the progress on agreement between Government and Sterlite regarding issue of 5 per cent of shares to the employees on 1/3rd price, Rs. 16.37 of the share money of Rs. 49/- at the time of disinvestment;